



The Munich Re Group

Balance sheet media conference for 2021 financial statements

23 February 2022

Please note: Presentation based on 2021 preliminary figures



Balance sheet media conference

Agenda

- | | |
|----|------------------------|
| 01 | Munich Re |
| 02 | Group finance and risk |

Munich Re

Munich Re delivers in 2021, successfully mastering multiple challenges

Financial performance

Exceeding guidance with a net income of €2.9bn – strong underlying performance across all segments



Capital repatriation

Attractive pay-out to our shareholders –
DPS lifted to €11¹, resuming €1bn
share buy-back



Economic environment

Proven active inflation
management protects
capital and earnings



Major losses

Strong underlying earnings
compensate for elevated nat cat
losses and COVID-19 claims



Strong results in 2021 paving the way to deliver on Ambition 2025



Ambition
2025



Achievements
in 2021

ROE	12–14%	12.6%	Profitability well above cost of capital and above plan
EPS growth	≥5% ¹	+4.7% ²	Delivering in a challenging year
DPS growth	≥5% ¹	+12.2% ³	Shareholders participate above plan in strong earnings growth
Solvency II ratio	175–220%	227% ⁴	Sound capitalisation supports Ambition 2025 capital management strategy

ERGO growing sustainably and increasing profit contribution

Achievements in 2021

Continuing legacy system replacement, especially in Germany

- Effective in-force management of German life back book and successful migration of first cluster of contracts to new run-off platform
- Transformation on track, e.g. new sales architecture, cross-border IT operating model

Cost and customer focus paying off

- Continuing high profitability shows resilience considering large losses (CR P-C Germany: 92.4%, CR International: 92.9%)
- Digitalisation of processes leading to increased customer satisfaction and proving effective, e.g. fast claims handling during July flood
- Further scaling technologies: already >250 robotics and >70 AI use cases, >35 voice skills
- Up-streamed €500m dividend to Munich Re
- RoE increased to 10.1%

Growing business across all segments

Germany

- Ongoing excellent new business development (+13% APE)
- Strong premium development across all segments supported by hybrid customer model

International

- High premium growth, especially in Poland (+13%) and Spain (+6%)¹
- Continued positive premium development of joint ventures (+13%)², despite COVID-19

Ambition 2025

Sustainable RoE

12–14%

CR P-C Germany

~ 90%

CR International

~ 91%

GWP growth

~ 2.5%³

Effective German life in-force management: Transformation on track – strong earnings contribution – strategic opportunity

Decision for internal run-off proven to be in the best interest of all stakeholders¹

Superior financial return

- Average dividend more than doubled since separation of back book
- ~€600m overall dividend payout (2017–2021)

Keeping high reserves

- Valuation reserves: €9.6bn
- Accumulated additional interest reserve (ZZR): €7.5bn
- Future ZZR to be funded²: €1.0bn

Good and sustainable return for customers

- Reinvestment yield: 2.0%
- Vs. average guarantee: 1.5%

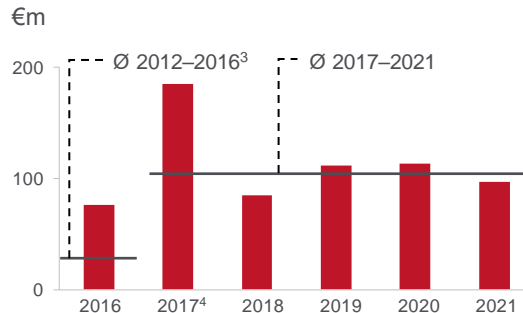
Maintaining full control over customer interface

- Customer satisfaction improved
- + 30pp. in NPS from 2017–2021

Preserve strategic opportunity: Entering TPA market with vast economies of scale

- ERGO ready to enter in TPA market
- Potential for additional earnings and fixed cost degression

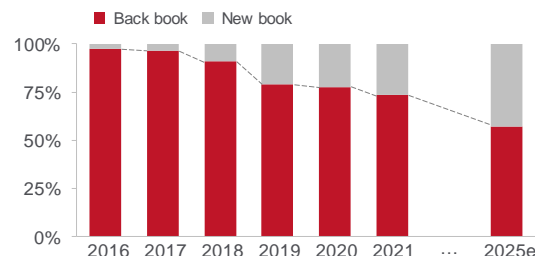
Dividend cash flow from German life back book



Strong contribution to earnings, cash generation and diversification

- Focused management of back book – efficient steering due to clear run-off pattern
- Stringent cost management
- Risk diversification within the Munich Re Group supported by German life back book, enhancing capital efficiency
- Balanced consideration of different stakeholder groups

GWP shares of German life book



Portfolio transformation on track – back-book share decreasing

- Planned decrease in back book
- Sustainable growth in new book
- Focusing on capital-light and biometric products
- New business up by 42% in 2021

Strong profitable growth across all segments

Supported by new products and hybrid customer model

GWP growth in 2021

Property-casualty
Germany

+6.6%

International

+4.7%¹

Life and Health
Germany

+1.9%

Total

+3.7%

Main drivers

Excellent growth above market while maintaining high profitability level, mainly in

- Retail business, e.g. strong motor renewal and increased demand for residential buildings insurance after nat cat events
- Commercial and industrial business lines, e.g. liability and marine

Strong growth, despite run-down of life business in Belgium, mainly in

- Poland and Austria across almost all P-C business lines
- Health business in Belgium and Spain, driven by increasing demand

Growth despite life back-book run-down, mainly in

- Life, supported by capital-light and biometric products; introduction of sustainable pension product²
- Supplementary health insurance, esp. dental products; recovery of travel business

Reinsurance benefitting from market cycle while shaping new business opportunities

Achievements in 2021

Strategy for value creation

- Enhancing our core business and pushing back its boundaries using digital ingredients
- High profitability with RoE of 13.5%

Scaling on solid foundation

- **P-C:** Seizing tailwind from a hardening market
- **Risk Solutions:** Profitable business expansion with all units above expectations, especially strong performance of Hartford Steam Boiler and Munich Re Syndicate
- **Life and Health:** Excellent performance excluding COVID-19 impact; expansion of global position as FinMoRe partner of choice, strong new business proposition in biometric risk solutions

Shaping new business opportunities

- Digitalised business models with more than 50 initiatives within six focus domains¹
- Leveraging on more mature investments, e.g. GroupHEALTH in Canada ...
- ... while exploring playing fields that fit our to expertise, e.g. insurance solutions for artificial intelligence
- Investments in global innovation portfolio starting to pay off, top- and bottom-line contribution expected by 2025
- Additional value creation with CVC investments

Ambition 2025

Sustainable RoE

12–14%

P-C combined ratio
~ **95%**

L&H technical result
incl. fee income
~ **€850m**

GWP growth
~ **5%**

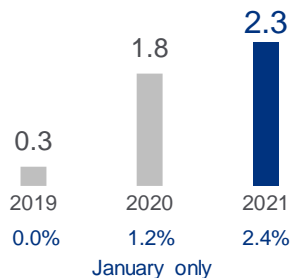
Continuation of market hardening in P-C reinsurance

Profitable business growth in January renewals



Price
change

Renewals 2019–2021 %



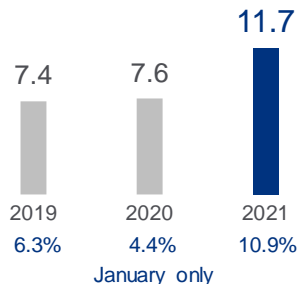
January renewals 2022

+0.7%

Optimistic for
April and July renewals



Volume
change



+14.5%

Well-positioned for
further business growth

Market drivers

- High loss experience in 2021, especially in nat cat, increased risk awareness of cedants ...
- ... resulting in flight to quality and upward pressure on reinsurance rates
- Increased demand for protection meets rather tightened (alternative) capacity
- Low interest rates and inflationary pressures are reflected in rate increases

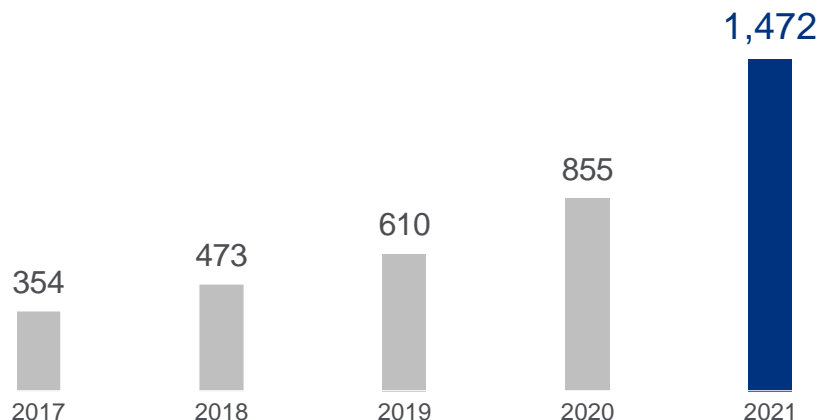
Munich Re portfolio

- Price change is fully risk- and business-mix-adjusted, considering diligent actual inflation and loss-trend assumptions
- Strong but selective growth preserves well-diversified portfolio ...
- ... while implementing targeted exposure limitations and risk mitigating features in new and existing (nat cat) contracts
- Increase of structured quota-share business, unchanged share of nat cat premiums

Cyber business: Sustainable profitability and long-term growth – substantial rate increases in original market

Gross premiums written

US\$ m



- Premium increase in 2021 largely due to rate increases
- Continued profitable growth in diversified book of business based on clearly defined risk appetite, expertise and discipline
- Actively balancing disciplined growth and effective cyber risk management

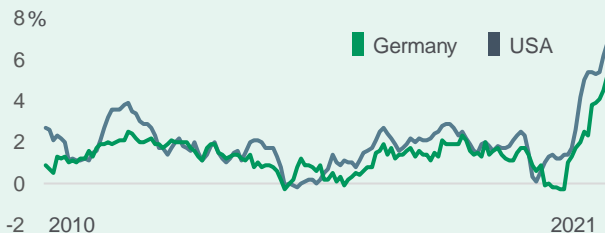
- Ongoing hardening market – Munich Re continues to provide capacity in a cyber market with decreased offering and further increasing demand
- Cyber risk management (e.g. internal models, accumulation control) safeguards pleasing level of profitability – despite dynamic risk landscape, recent vulnerabilities and emergence of attacks
- Ongoing measures to increase cyber resilience, e.g. vulnerability treatment, patch management requirements
- Investments in partnerships, services and leading cyber expertise continually enhanced
- Dedicated cyber data strategy
- Tackling industry challenges to expand boundaries of insurability – in close cooperation with multiple partners

High costs from natural catastrophes enforced by surge in inflation – Munich Re managing volatility to delivery

1

Inflation pushed to multi-decade high

Consumer price inflation (CPI)



Source: Bloomberg

- Strong recovery-driven demand, supply shortages, energy prices and base effects have shifted up CPI substantially ...
- ... with even more pronounced price increases in certain segments with relevance for insurance claims, e.g. construction materials

2

High nat cat volatility increases demand



US\$ 280bn economic losses from nat cats – 1/3 higher than last year



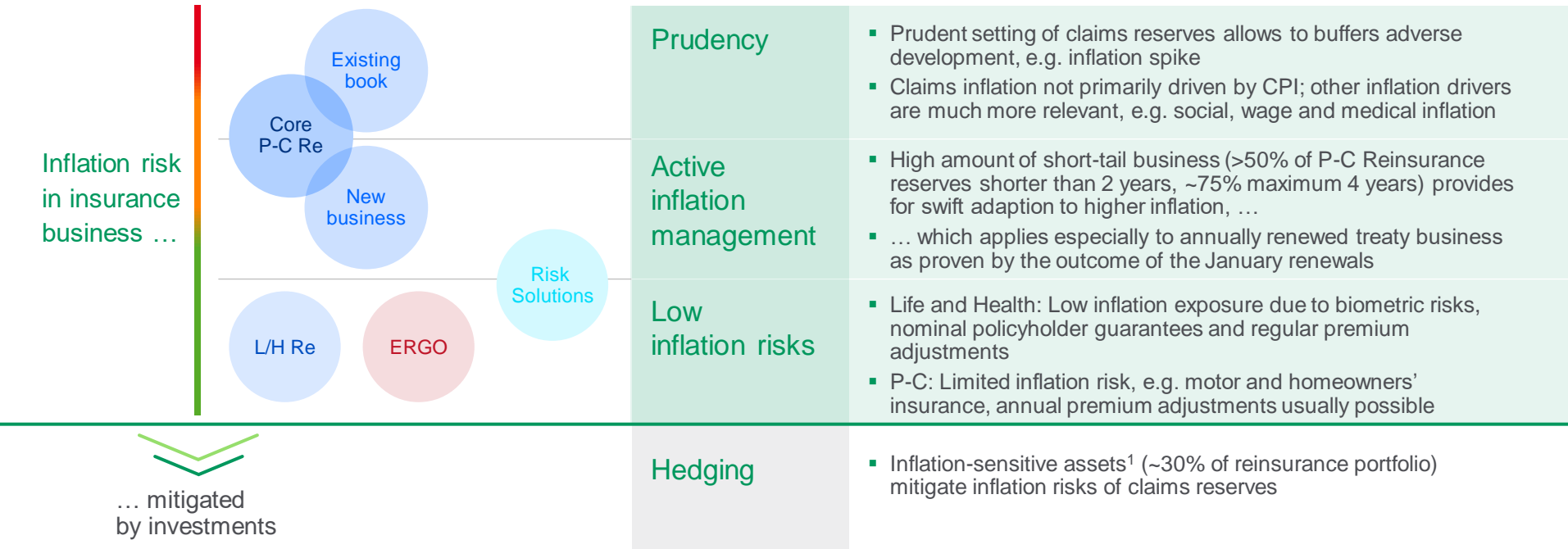
Exceptionally high proportion of weather-related losses in the US



Flash floods in Europe caused costliest nat cat claims in German history

Inflation surge well manageable due to diversified book of business, reserve prudence and hedges in the investment portfolio

CPI with limited significance in insurance business, other drivers much more relevant



¹ Includes equities, real estate, inflation-linked bonds, infrastructure and commodities.

2 Managing nat cat-driven short-term accounting volatility



Earnings / capital position

- Dampening IFRS P&L volatility through earnings diversification
- HGB earnings generally more stable
- Strong balance sheet
- Stable retro programme
- Excellent capitalisation
- Supporting capital management strategy

Increased dividend, resumed share buy-back



Portfolio / modelling

Portfolio measures

- Exposure and cycle management decisive for profitability
- Restrictive on covering event frequency and aggregate covers

State-of-the-art modelling

- >100 internal nat cat models capturing peak and non-peak risk scenarios
- Permanently incorporating new data and forward-looking findings
- Prudent consideration of inflation changes, incl. post-loss amplification

Increase of outlier expectation to ~13% without any negative impact on combined ratio¹



Business opportunities

- Volatility is inherent to our business model – we get paid for taking volatility from our cedants' books
- Existing protection gaps and increasing uncertainty driving demand
- Munich Re as tier 1 reinsurer well-positioned to benefit from hardening market environment

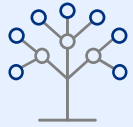
Substantial growth in January renewals

Nat cat one of the most profitable lines of business

¹ Due to shift from basic to major losses, outlier expectation (claims above the €10m threshold) increases from 12% to 13% (nat cat from ~8% to ~8.5%, man-made from ~4% to ~4.5%).

2 | Ambition 2025 paves the way to reduce earnings volatility

Scale



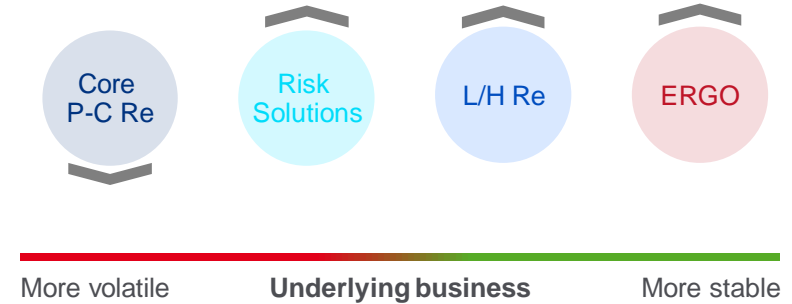
- Expansion of core
- Preference for organic growth
- Leverage superior underwriting



Shape

- Create additional business
- Monetise digital business investments
- Create new strategic options








Relative earnings contribution by 2025



 Development of earnings contribution relative to the Group result. High relative earnings contribution of Core P-C RI will be reduce over time.

Continuous expansion of less risk-exposed business lines
reducing the volatility of our insurance results in the long-term

Munich Re climate approach following a clear path

Climate ambition	 Financed emissions	 Insured emissions	 Own emissions
Clear roadmap to reduce CO ₂ emissions	Ambitious interim targets to achieve net-zero investment portfolio by 2050	Strict underwriting guidelines regulate phase-out of oil/gas and thermal coal	Continuously improving operational emissions and efficiency
	 Know-how and data sharing	 Partnerships and cooperations	 Products and services
Risk transfer solutions for climate mitigation and adaptation	Closely working with the research community, in continual dialogue with leading technology providers	Establishing public-private partnerships to reduce insurance gap, especially in poorer countries	Providing solutions to enable low-carbon energy transition, e.g. via green tech solutions

Delivery on climate ambition through emission reductions

Major achievements in 2021



Climate
ambition 2025



Decarbonisation
achievements in 2021

Assets	<p>Emissions</p> <p>Total¹ –25% to –29%</p> <p>Thermal coal –35%</p> <p>Oil and gas –25%</p>	<p>Emissions</p> <p>Total –31%</p> <p>Thermal coal –47%</p> <p>Oil and gas –14%</p>	<ul style="list-style-type: none"> Green bond investments: €2.2bn Forest investments⁴: €1.1bn Certified real estate: €2.2bn Renewable energies: €1.7bn
Liabilities ²	<p>Emissions</p> <p>Thermal coal mining –35%</p> <p>Thermal coal power –35%</p> <p>Oil and gas production –5%</p>	<p>Reporting as of fiscal year 2022</p>	<ul style="list-style-type: none"> “Green Tech” Solutions: >800 projects in ~80 countries with rated capacity >41 gigawatts
Own emissions	<p>–12% emissions per employee</p>	<p>~ –25% (in 2020)³</p>	<ul style="list-style-type: none"> Purchase of gold standard carbon removal certificates for 40 years through Munich Re start-up Tree Trust Tree planting campaign with ~1,000 employees in 22 sites worldwide

¹ Base year 2019; assets based on sub-portfolio of listed shares, corporate bonds and directly-held real estate. ² Base year 2019; “tons of thermal coal” and “installed operational capacity in MW” of insureds used as proxy for coal emissions, liabilities comprise primary insurance, direct and facultative business; O&G comprises operational property business with self-calculated scope 1–3 CO₂ emissions linked to the insurance policy. ³ In 2021 we expect our carbon emissions to remain at the previous year’s very low level of 25% below 2019 figures. ⁴ Certified forestry management.

Gender ambition 2025 – Approaching the targeted 40% women in leadership roles



Share of women
at management level

40%



Achievements
in 2021 (2020)

37.8%
(35.1%)

Gender as a focus topic in 2021

- Gender diversity a top priority for the Munich Re Group
- New Group-wide approach regarding staffing and talent management processes to increase the number of women in leadership roles
- Share of women in top talent programme “Group Management Platform” increased from 31% in 2020 to 38% in 2021

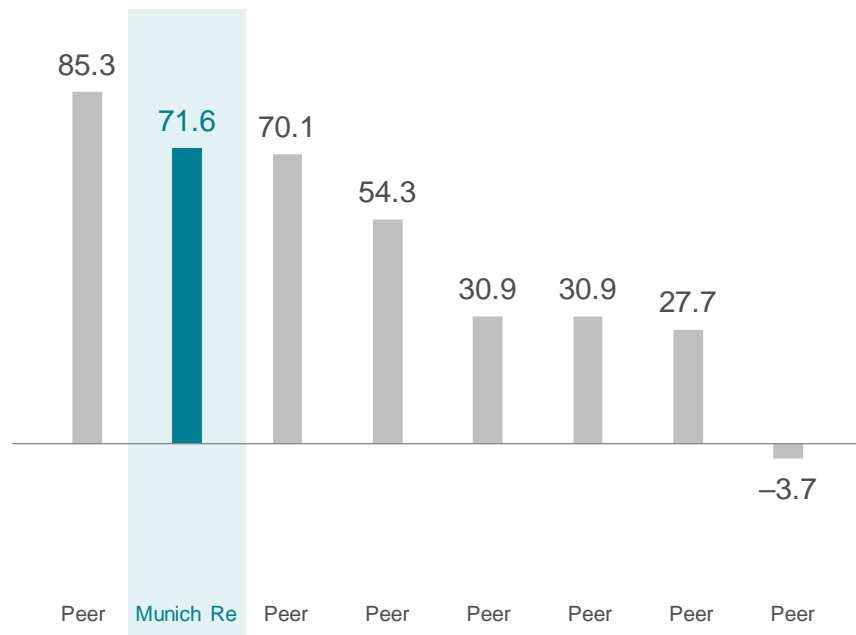
Further extension of diversity and inclusion embracing all its aspects in planning

Our commitment to succeed

Leading total shareholder return (TSR)

TSR 1.1.2018–31.12.2021¹

%



Profitability

RoE clearly above cost of capital



Growth

Strong premium growth while improving margins



Capital repatriation

Attractive dividend yield and share buy-back

Outlook 2022

On the way to achieving our Group Ambition 2025

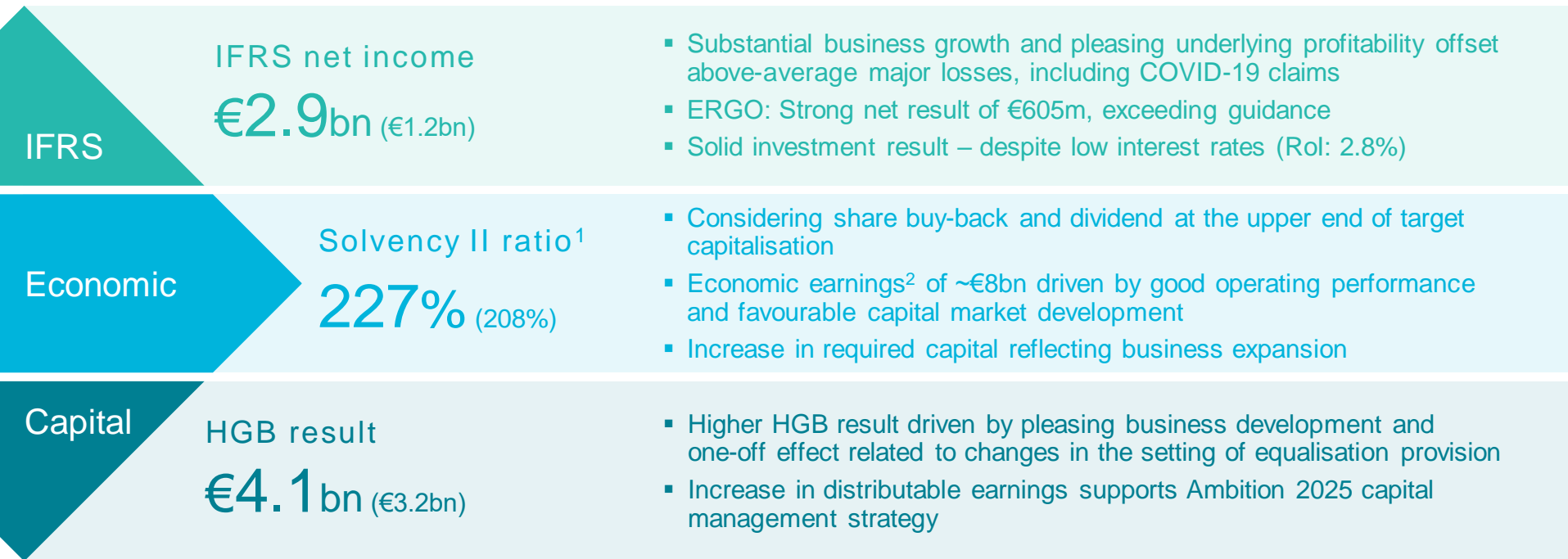
Group	Gross premiums written ~ €61bn	Net result ~ €3.3bn	Return on investment >2.5%	
ERGO	Gross premiums written ~ €18.5bn	Net result ~ €0.6bn ¹	Combined ratio P-C Germany ~ 91%	International ~ 92%
Reinsurance	Gross premiums written ~ €42.5bn	Net result ~ €2.7bn ¹	Combined ratio P-C ~ 94%	Technical result, incl. fee income in life and health ~ €400m ¹

¹ Including COVID-19 impact of ~€300m (before tax) in L&H reinsurance; insignificant COVID-19 impact at ERGO and P-C reinsurance.

Group finance and risk

Financial results 2021

Strong earnings and capitalisation, reserves strengthened in all segments

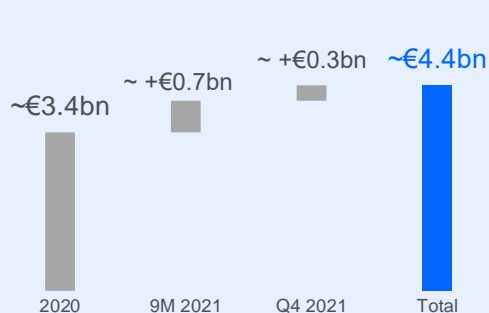


FY 2021 COVID-19-related financial impact

Majority of claims in 2021 driven by L&H reinsurance (€785m)

IFRS 

Re-insurance (pre-tax)¹

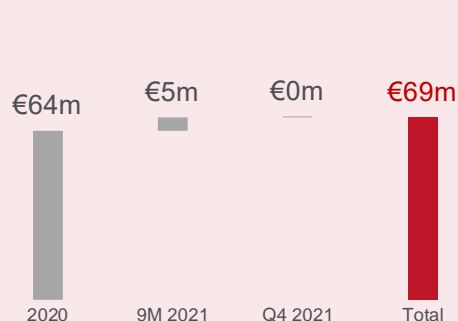


	€m
Contingency	1,846
Property/BI	968
D&O/WC	236
Credit	210
Marine	17
Life and health	1,155

Q4 2021: Provisions increased by €320m

- P-C: Small increase of €5m; 60% of the accumulated losses are IBNR, down from 65% as at Q3 2021
- L&H: Increase of €315m; claims continue to be dominated by the US, India and South Africa
- Expected COVID-19-related claims for 2022
 - P-C: No material losses
 - L&H: ~€300m

ERGO (after tax)



	€m
Claims incurred	2
Result impact from lost premiums	39
Other	28

Q4 2021: Overall no earnings impact

- No material COVID-19-related earnings impact for 2022 expected

¹ Total incurred losses, including paid claims and reserves.

Result Q4 2021

Major drivers



Net income

€871m
(€212m)

Reinsurance: **€734m**

P-C: Profitable business growth, strengthened reserve prudence, high investment result

L&H: Strong result given COVID-19 claims (€315m, incl. prudent IBNR), driven by healthy underlying business and ongoing high fee income

ERGO: **€137m**

Strong operating performance in P-C Germany and international business; low investment result, maintaining unrealised gains in L&H Germany



Technical result

€848m
(-€1m)

P-C reinsurance

Combined ratio: 96.4%
Major-loss ratio: 13.7%
Reserve releases¹: 4.0%
Normalised C/R: 95.0%

L&H reinsurance

Technical result including fee income: €94m – positive experience beyond COVID-19 and positive impact from year-end reserve review

ERGO P-C Germany
Combined ratio: 87.6%

ERGO International
Combined ratio: 93.1%



Investment result

€1,425m
(€2,090m)

Return on investment
2.2%

- Reinsurance: 3.5% – supported by disposal gains from equities
- ERGO: 1.4% – losses on hedging derivatives, while preserving unrealised gains on equities (low level of disposal gains)
- Group: Reinvestment yield stable at 1.4%

Investment result

Resilient performance



- **Running yield**
Attrition of ~10 bps due to low interest rates expected to persist in 2022
- **Disposal gains**
Mainly driven by tactical asset allocation, ZZR financing, and outsourcing activities to third-party asset managers
- **Derivatives result**
Reflects hedging of equity and interest-rate risk in an improving market

ERGO – IFRS key financials 2021

Continued strong result and high growth momentum in all segments

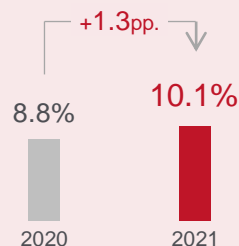
IFRS 

ERGO

GWP **€18.2bn**
(€17.6bn)

Net result **€605m**
(€517m)

Return on equity



L&H Germany

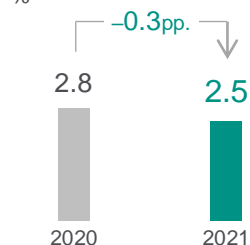
€9.2bn (€9.0bn)

High growth in new life and health book, recovery in travel insurance

€164m (€130m)

Good technical result with improvements in health and travel; lower investment and higher currency result

Return on investment



P-C Germany

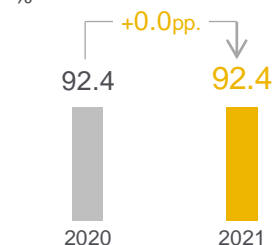
€3.9bn (€3.7bn)

Excellent premium development in almost all lines of business, significantly above market growth

€234m (€157m)

Strong operating performance, impact from European floods fully mitigated, higher investment result

Combined ratio



International

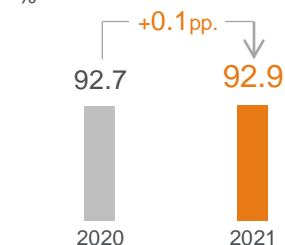
€5.1bn (€4.9bn)

Substantial growth driven by Poland, health and legal protection

€207m (€230m)

Strong operating performance, despite large losses (Austria, Baltics) – prior year impacted by positive one-off

Combined ratio



Reinsurance – IFRS key financials 2021

Strong profitable growth in P-C, continued COVID-19-related losses in L&H

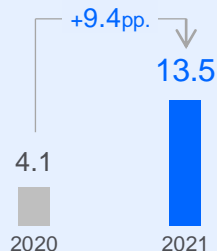
IFRS 

Reinsurance

GWP **€41.4bn**
(€37.3bn)

Net result **€2,328m**
(€694m)

Return on equity



P-C reinsurance

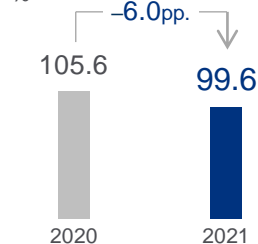
€28.8bn (€24.6bn)

Strong organic growth in almost all lines of business, taking advantage of hardening markets and new business opportunities

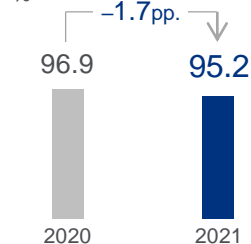
€2,003m (€571m)

Elevated major losses, albeit lower than in 2020 (less COVID-19 claims) – rate increases reflected in improving normalised combined ratio, fully in line with expectations

Combined ratio
%



Normalised C/R
%



L&H reinsurance

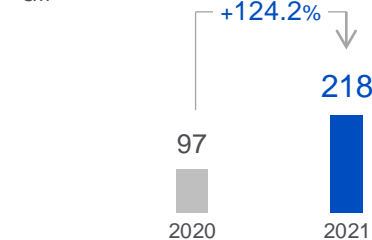
€12.6bn (€12.7bn)

Growth in North America, decline in Europe and Asia

€325m (€123m)

Very strong performance adjusted for COVID-19 – some positive one-offs and ongoing very pleasing development of fee income

Technical result incl. fee income
€m

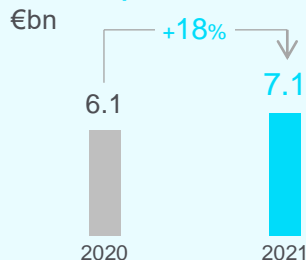


Risk Solutions

Strong organic growth and increased profitability ahead of plan trajectory

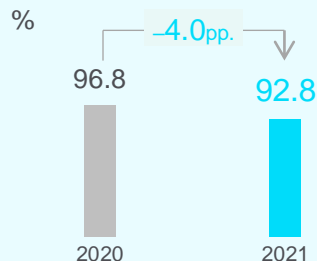


Gross premiums written



- Strong organic growth across all units, taking advantage of profitable business opportunities in a hardening market
- MR Specialty Insurance: Successfully on track with growth strategy in all their segments
- Facultative & Corporate Direct: Strong overall worldwide growth facilitating portfolio diversification
- Munich Re Syndicate: Better market conditions and strong standing within Lloyd's support ongoing diversification in specialty lines and a sustainably strong growth path

Combined ratio



- Improved profitability despite (once again) elevated nat cat experience for US Risk Solutions carriers (active hurricane, storm and wildfire season), on track with ambition
- Hartford Steam Boiler: Commercial book continues to drive very pleasing and strongly growing performance
- Facultative & Corporate Direct: Favourable market conditions support achievement of good normalised result
- Munich Re Syndicate: Excellent financial year supported by growth and performance of the book

Overall reserve prudence further strengthened

Protect balance sheet against unexpected developments

Managing industry hot spots

COVID-19



Loss complex affects multiple lines with challenging loss assessment; slow pace of loss development in a situation where pandemic is still evolving

Economic inflation



Increase of consumer price inflation; higher uncertainty about future inflation developments and its impact on reserve position

US liability



High litigation and ongoing social inflation risks despite temporary lower activity due to courts being closed in lockdowns

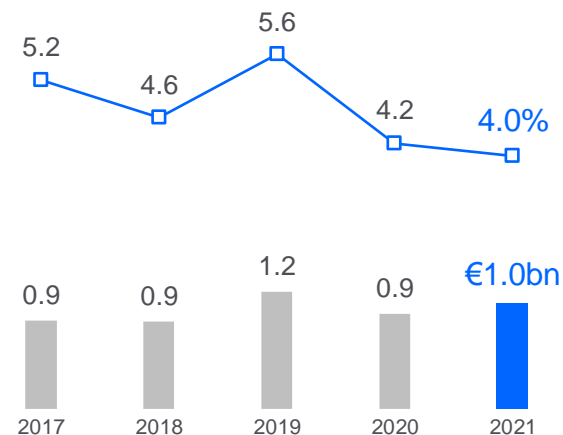
Munich Re measures

Thorough claims assessment; solid reserve position with 60% IBNR; additional P-C losses in 2021 lower than anticipated one year ago

Further strengthened reserve prudence level, considering inflationary trends in a particularly conservative way

New losses below expectation and below level of previous years; nevertheless, reserve position further strengthened to provide additional resilience in case of future catch-up effects

Ongoing reserve releases¹



Significant reserve releases – reserve position even stronger than one year ago

¹ Property-casualty reinsurance, % of net earned premiums, basic losses after sliding-scale commissions.

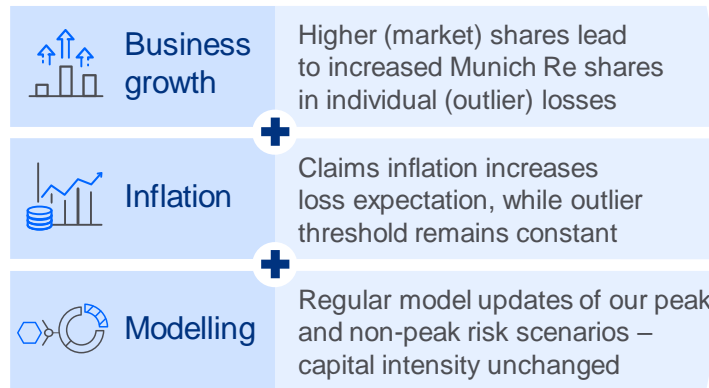
P-C reinsurance: Shift from basic to major losses results in outlier expectation of ~13% for 2022 (previously ~12%)

Softening market

Hardening market



- Outlier expectation (losses > outlier threshold) derived from exposure-specific analysis – incorporates most recent business mix, claims expectation and regular model updates
- Outlier threshold, separating basic from outlier losses, unchanged at €10m since 2006
- Outlier expectation comparatively stable (~12% since 2012), despite constant outlier threshold, significant business growth and rising loss costs

IFRS 

Fully reflected in pricing

New outlier expectation



Nat cat

2022

~8.5%

Previously

~8%



Man-made

~4.5%

~4%

~13%

~12%

Shift from basic to major losses without impact on combined ratio

German GAAP (HGB) result 2021 supported by one-offs

Capital repatriation well-funded

€bn

Average
2012–2021

–1.3

–0.7

2.5

4.0

HGB result 2020
€bn

3.2

Underwriting
result

+4.1

Investment
result

–1.5

Other

–1.7

HGB result 2021

4.1

4.3

–1.4

–

4.1

7.0

Distributable
earnings
31.12.2020

Dividend

Share
buy-back¹HGB result
2021Distributable
earnings
31.12.2021²

Equalisation provision
€bn

10.0



–2.1

7.9

2020

2021

1 No share buy-back in 2021. 2 Distributable earnings amount to €4.5bn after deduction of dividend FY 2021 and share buy-back in 2022/2023.

Introduction of IFRS 9/17 – More stringent profitability measurement of insurance contracts, including adjustment for risk

Current status

Overall good progress of IFRS 17 implementation in Munich Re Group in 2021

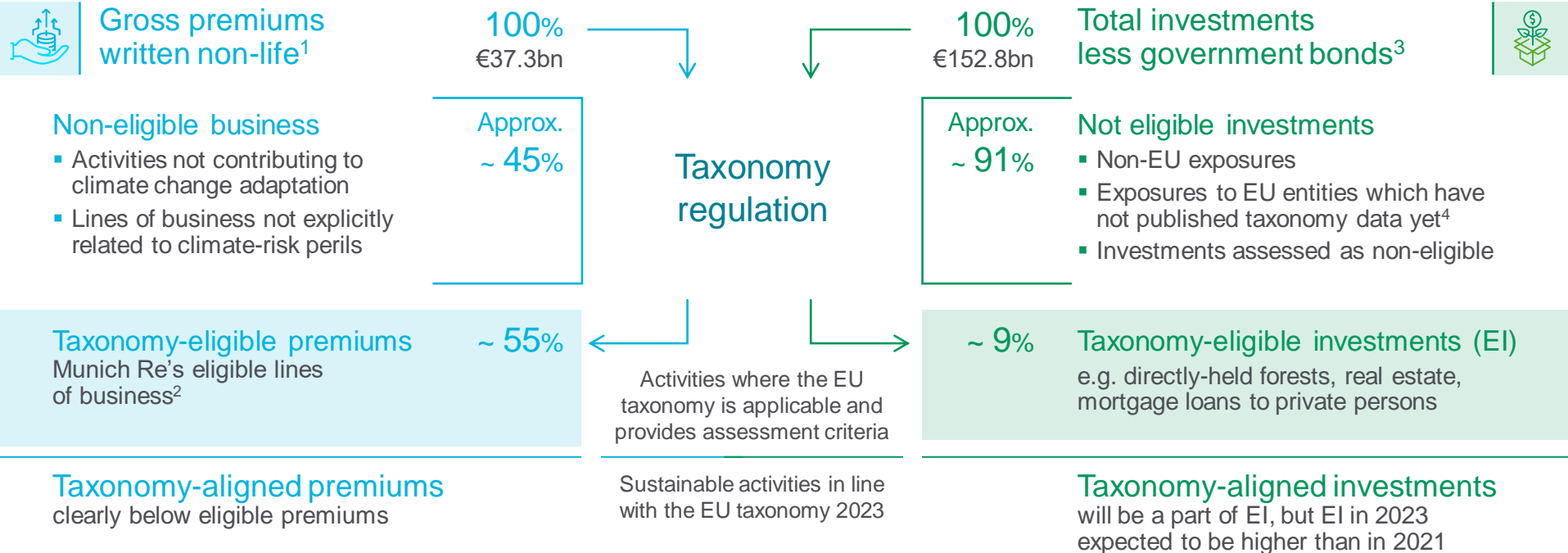
Currently, preparations to produce the Group's IFRS 17 opening balance sheet 1.1.2022 and comparative figures during 2022

Implications

- Higher transparency in reporting, e.g. through CSM, showing unearned profits of in-force contracts
- Market-consistent valuation might increase P&L volatility
- New concept for insurance revenue, including the insurance service provided over the period – shrinkage of reportable revenues¹ in reinsurance not affecting results
- Reserve prudence to be sustained
- KPIs will be affected

¹ Reinsurance commissions will for the most part not be included in insurance revenue, as they are classified as a non-distinct investment component.

First-time disclosure of taxonomy-eligible/-aligned investments and liabilities



This presentation contains forward-looking statements that are based on current assumptions and forecasts of the management of Munich Re. Known and unknown risks, uncertainties and other factors could lead to material differences between the forward-looking statements given here and the actual development, in particular of the results, financial situation and performance of our Group. Obvious fluctuations in the incidence of major losses in addition to the pronounced volatility of the capital markets and exchange rates – as well as the special features of IFRS accounting – make an accurate forecast of results impossible. Moreover, there is considerable uncertainty regarding the further development of the coronavirus pandemic. The Group assumes no liability to update these forward-looking statements or to make them conform to future events or developments. Figures from Q1 2019 onwards are restated reflecting the new cost-allocation method. Due to rounding, there may be minor deviations in summations and in the calculation of percentages in this presentation.